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# OUTLOOK

## FOR THE ECONOMY AND REAL ESTATE

By DR. JACK CARLSON
Executive Vice President & Chief Economist
NATIONAL ASSOCIATION OF REALTORS®
777 14th Street, N.W.
Washington, D.C. 20005

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# U.S. Economic and Real Estate Outlook

## Aggregate Economy

Growth of real or inflation-adjusted Gross National Product (GNP) during the first quarter of 1984 is estimated to have surged to 7.2 percent, up from a revised 5.0 percent during the fourth quarter of 1983. The recovery continues to be led by strong consumer spending with businesses increasing production, inventories, and investment in equipment. Retail sales, which rose 3.3 percent in January, sustained that level in February. Automobile sales during the first quarter should average a 10.5 million annual rate, up from 9.9 million in the previous quarter.

However, the pace of economic growth should slow during the remainder of this year and 1985. Consumers are likely to slow their rate of spending in the months ahead to provide payment for purchases on time. Business investment in new plant and equipment is gradually improving but not enough to off set slower growth in consumer spending and residential investment. Real GNP growth should slow to 6 percent during the current quarter and to 3 percent during the final quarter of the year. During 1985 real growth should be 2.5 percent or less. There is some risk of a sharp decline in confidence among consumers, investors, and businesses which could abort the recovery during 1985.

The deficit reduction programs currently being debated in the Congress ($100-$200 billion over three years) will result in only modest reductions in inflation expectations and interest rates.

The strong growth of the economy continues to result in large increases in employment. During February civilian employment increased by 700,000 while the unemployment rate fell another 0.2 percentage points to 7.8 percent. Employment increased by 250,000 in March, but because of an almost equal number of new entrants into the labor force, the unemployment rate remained unchanged. The unemployment rate could fall as low as 7.0 percent by the fourth quarter before rising moderately during 1985 as the economy slows.

As expected, inflation has accelerated from the low rates of 1983. During the first quarter the Consumer Price Index rose an estimated 5.1 percent, up from 4.4 percent during the previous quarter. This acceleration should continue through this year with prices rising at a 6 percent annual rate by the fourth quarter.

Because of strong economic growth and some tightening of money growth by the Federal Reserve Board (FED) in late January, interest rates in general rose 1/2 to 3/4 of a percentage point during February and March. Most indexes of stock prices fell 5 to 10 percent during the same period. The FED will likely continue its policy of restraint although the money supply should grow at the upper end of the target ranges. Also, the Treasury may play an unusual role around election time by adding to the money supply through changes in the timing of drawing down its cash balances in commercial banks. There may be some additional modest rise in interest rates during the current quarter including another boost in the prime rate. However, there is room for modest declines in interest rates during the summer as the pace of the recovery slows and federal borrowing requirements are seasonally low. Regardless, interest rates could trend upward late this year and during 1985 as the demand for funds by the federal government comes into increasing conflict with increasing private credit demand and foreign lenders consider investments closer to home.

## Real Estate Markets

Widespread use of adjustable rate mortgages (ARMs) and a strong "buy now" attitude have combined to produce sizeable increases in activity in housing markets. In February sales of existing single-family homes stood at a seasonally adjusted annual rate of 2,870,000 units, 17.6 percent above the same month a year ago. In the same month housing starts increased 11.2 percent over the January level to a seasonally adjusted annual rate of 2,197,000--the highest level since April of 1978.

For all of 1984 resales should total 2.9 million to 3.0 million units while starts should total about 1.9 million units. Rising interest rates late this year and through 1985 should cause resales and starts to decline to 2.5 million units and 1.6 million units, respectively.

Commercial and industrial construction increased during the first quarter of this year and should continue robust for stores and manufacturing and other commercial buildings.

Table 1

U.S. ECONOMIC OUTLOOK

APRIL 1984

| | QUARTERS | | | | | | | | YEARS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | Forecast | | | | | | | Actual | | Forecast | | |
| | 83:4 | 84:1 | 84:2 | 84:3 | 84:4 | 85:1 | 85:2 | 85:3 | 1982 | 1983 | 1984 | 1985 | 1986 |
| AGGREGATE ECONOMY | | | | | | | | | | | | | |
| Gross National Product ($ billions) | 3,436 | 3,538 | 3,638 | 3,721 | 3,799 | 3,875 | 3,944 | 4,015 | 3,073 | 3,310 | 3,674 | 3,982 | 4,312 |
| Percent Change | 9.1 | 12.4 | 11.8 | 9.5 | 8.7 | 8.2 | 7.3 | 7.4 | 4.0 | 7.7 | 11.0 | 8.4 | 8.3 |
| Percent Change (without inflation) | 5.0 | 7.2 | 6.0 | 4.0 | 3.0 | 1.8 | 1.4 | 1.5 | -1.9 | 3.4 | 6.0 | 2.5 | 1.9 |
| Consumption | 6.5 | 6.1 | 4.0 | 3.0 | 2.6 | 2.1 | 2.1 | 1.8 | 1.4 | 4.2 | 4.9 | 2.4 | 1.6 |
| Durables | 19.9 | 23.5 | 5.4 | 3.1 | 2.8 | 1.2 | 2.1 | 1.1 | -0.9 | 11.8 | 13.1 | 2.1 | 0.7 |
| Nondurables | 4.8 | 4.6 | 2.2 | 2.1 | 1.8 | 1.6 | 1.4 | 1.4 | 0.5 | 3.3 | 3.7 | 1.7 | 1.2 |
| Services | 3.7 | 1.7 | 4.9 | 3.7 | 3.2 | 2.9 | 2.6 | 2.4 | 2.9 | 2.7 | 3.2 | 3.0 | 2.2 |
| Residential Investment | -6.9 | 28.5 | 16.5 | 6.9 | -9.3 | -12.8 | -10.6 | -6.7 | -15.3 | 39.4 | 16.3 | -6.3 | 2.8 |
| Nonresidential Investment | 27.4 | 8.8 | 7.9 | 7.6 | 6.9 | 6.4 | 5.9 | 5.5 | -4.7 | 1.4 | 12.7 | 6.4 | 4.8 |
| Structures | 6.8 | 7.0 | 7.1 | 6.3 | 5.0 | 4.8 | 4.4 | 4.0 | 1.8 | -6.9 | 5.7 | 4.9 | 3.6 |
| Equipment | 36.5 | 9.6 | 8.2 | 8.1 | 7.6 | 7.0 | 6.5 | 6.1 | -7.5 | 5.3 | 15.5 | 7.0 | 5.2 |
| Exports | -0.3 | 9.5 | 6.0 | 5.4 | 6.3 | 7.0 | 6.9 | 5.9 | -7.8 | -5.8 | 5.9 | 6.4 | 4.8 |
| Imports | 29.4 | 18.0 | 12.3 | 10.2 | 8.9 | 4.9 | 5.9 | 4.8 | 1.4 | 7.2 | 17.7 | 6.8 | 3.4 |
| Government Purchases | -3.9 | -4.2 | 20.5 | 3.9 | 3.2 | 1.9 | 3.5 | 2.4 | 1.8 | 0.5 | 2.9 | 3.8 | 2.9 |
| Consumption (% of GNP) | 65.6 | 65.4 | 65.1 | 64.9 | 64.8 | 64.9 | 65.0 | 65.0 | 65.3 | 65.9 | 65.1 | 65.0 | 64.8 |
| Residential Investment (% of GNP) | 3.5 | 3.7 | 3.8 | 3.8 | 3.7 | 3.6 | 3.5 | 3.4 | 2.5 | 3.4 | 3.8 | 3.4 | 3.5 |
| Nonresidential Investment (% of GNP) | 11.5 | 11.5 | 11.6 | 11.7 | 11.8 | 11.9 | 12.0 | 12.1 | 11.2 | 11.0 | 11.6 | 12.1 | 12.4 |
| Inventory Change ($ billions) | 19.6 | 46.3 | 38.6 | 47.3 | 55.6 | 53.3 | 44.0 | 37.8 | -24.6 | -6.5 | 47.0 | 42.1 | 24.6 |
| Mfg. Capacity Utilization Rate (%) | 79 | 81 | 82 | 83 | 83 | 83 | 83 | 82 | 71 | 75 | 82 | 83 | 82 |
| Auto Sales (millions of units) | 9.9 | 10.5 | 10.6 | 10.6 | 10.6 | 10.6 | 10.6 | 10.5 | 8.0 | 9.2 | 10.6 | 10.5 | 10.3 |
| Domestic (% of total) | 72.7 | 79.1 | 77.9 | 75.4 | 75.1 | 77.2 | 77.3 | 75.3 | 72.3 | 73.8 | 76.9 | 75.9 | 73.4 |
| Imported (% of total) | 27.2 | 20.9 | 22.1 | 24.6 | 24.9 | 22.8 | 22.7 | 24.7 | 27.9 | 26.1 | 23.1 | 24.1 | 26.6 |
| Manufacturing Industrial Production (% change) | 9.9 | 12.5 | 8.4 | 5.6 | 3.5 | 2.7 | 2.2 | 1.2 | -8.5 | 7.8 | 11.4 | 3.2 | 2.2 |
| Common Market | 3.5 | 3.0 | 4.2 | 3.7 | 3.2 | 2.0 | 1.6 | 1.7 | -1.7 | 0.6 | 3.0 | 2.4 | 1.5 |
| Japan | 8.6 | 10.3 | 4.5 | 2.3 | 2.6 | 6.2 | 3.0 | 2.5 | 0.4 | 3.5 | 7.6 | 3.5 | 2.9 |
| Employment(millions)(civilian:household basis) | 102.5 | 103.8 | 104.8 | 105.7 | 106.5 | 107.0 | 107.5 | 107.8 | 99.5 | 100.8 | 105.2 | 107.6 | 109.0 |
| Unemployment Rate (%) (civilian) | 8.5 | 7.8 | 7.4 | 7.2 | 7.0 | 7.0 | 7.1 | 7.3 | 9.7 | 9.6 | 7.4 | 7.2 | 7.7 |
| Personal Income per Household (average)<1> | 36,497 | 37,472 | 38,265 | 39,040 | 39,775 | 40,580 | 41,251 | 41,954 | 33,633 | 35,433 | 38,638 | 41,634 | 44,659 |
| Percent Change -- Year Ago (w/o inflation) | 3.2 | 4.5 | 4.5 | 4.7 | 3.3 | 2.2 | 1.8 | 1.4 | -0.8 | 1.3 | 4.3 | 1.7 | 1.1 |
| Personal Taxes per Household (average) | 6,588 | 6,763 | 6,934 | 7,093 | 7,239 | 7,360 | 7,484 | 7,630 | 6,426 | 6,513 | 7,007 | 7,570 | 8,415 |
| Percent Change -- Year Ago (w/o inflation) | -1.7 | 1.1 | 0.9 | 5.2 | 4.6 | 3.2 | 2.2 | 1.7 | -2.3 | -2.7 | 2.9 | 2.2 | 4.6 |
| Percent of Personal Income | 18.8 | 18.8 | 18.9 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.9 | 19.2 | 18.9 | 19.0 | 19.7 |
| Disposable Income per Household (average) | 29,909 | 30,709 | 31,331 | 31,948 | 32,536 | 33,220 | 33,767 | 34,324 | 27,206 | 28,920 | 31,631 | 34,063 | 36,244 |
| Percent Change--Year Ago (w/o inflation) | 4.2 | 5.4 | 5.4 | 4.6 | 3.3 | 2.2 | 1.8 | 1.4 | -0.4 | 2.3 | 4.6 | 1.7 | 0.4 |
| Household Interest Payments (% of total) | 10.1 | 10.4 | 10.6 | 10.1 | 10.0 | 10.0 | 10.1 | 10.4 | 9.6 | 9.8 | 10.3 | 10.2 | 10.0 |
| Net Worth per Household (average) | 75,173 | 75,890 | 77,620 | 79,225 | 80,629 | 82,028 | 83,486 | 84,910 | 66,453 | 74,134 | 78,341 | 84,238 | 91,304 |
| Percent Change -- Year Ago (w/o inflation) | 3.5 | 1.6 | 0.0 | 0.8 | 2.1 | 2.5 | 1.9 | 1.3 | -1.8 | 7.1 | 1.1 | 1.7 | 2.0 |
| Consumer Price Inflation (CPI) | 4.4 | 5.1 | 5.5 | 5.9 | 6.2 | 6.1 | 5.9 | 5.9 | 6.2 | 3.2 | 5.1 | 6.0 | 6.2 |
| Gross National Product Inflation (GNP Deflator) | 3.9 | 4.7 | 5.2 | 5.1 | 5.2 | 6.3 | 5.8 | 5.8 | 6.0 | 4.2 | 4.5 | 5.7 | 6.2 |
| Personal Consumption Inflation | 2.6 | 4.2 | 5.8 | 5.7 | 5.8 | 6.0 | 5.9 | 5.9 | 5.8 | 3.9 | 4.5 | 5.9 | 6.0 |
| Residential Construction Inflation | -0.4 | 1.9 | 5.4 | 6.4 | 6.9 | 7.2 | 7.4 | 7.3 | 2.8 | 2.3 | 3.5 | 7.0 | 7.8 |
| Nonresidential Construction Inflation | 0.9 | 2.9 | 5.7 | 6.8 | 7.3 | 7.8 | 7.8 | 7.7 | 4.7 | -0.7 | 3.2 | 7.5 | 8.1 |
| Producers Price Inflation (WPI) | 3.7 | 2.6 | 6.0 | 6.2 | 5.9 | 5.8 | 6.5 | 6.4 | 2.0 | 1.3 | 4.2 | 6.1 | 6.5 |
| Compensation per Manhour (% change) | 4.5 | 6.8 | 6.7 | 6.9 | 7.2 | 8.2 | 7.1 | 7.2 | 7.9 | 5.6 | 5.9 | 7.4 | 7.7 |
| Productivity (% change) | 1.2 | 1.5 | 2.2 | 2.1 | 2.0 | 1.7 | 1.4 | 1.4 | 0.0 | 3.1 | 2.1 | 1.8 | 1.3 |
| Unit Labor Cost (% change) | 3.6 | 5.1 | 4.4 | 4.7 | 5.0 | 6.3 | 5.6 | 5.7 | 7.9 | 2.4 | 3.7 | 5.5 | 6.3 |
| Unit Capital Cost (% change) | 5.7 | 5.2 | 4.9 | 4.7 | 4.6 | 4.6 | 4.5 | 4.5 | 9.5 | 6.9 | 4.9 | 4.6 | 4.7 |
| Before Tax Corporate Profits ($ billions)<2> | 237 | 238 | 255 | 261 | 265 | 264 | 262 | 260 | 190 | 217 | 255 | 261 | 269 |
| Corporate Tax Liability | 85 | 86 | 94 | 96 | 98 | 96 | 93 | 91 | 59 | 77 | 93 | 93 | 95 |
| 'Windfall Profits' Tax Receipts | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 16 | 10 | 9 | 9 | 9 |
| After Tax Profits | 143 | 144 | 153 | 156 | 159 | 160 | 161 | 160 | 115 | 131 | 153 | 159 | 165 |
| Inventory Valuation Adjustment | -6 | -10 | -20 | -27 | -27 | -27 | -30 | -32 | -8 | -9 | -21 | -31 | -35 |
| Capital Consumption Adjustment | 46 | 55 | 58 | 60 | 63 | 69 | 71 | 74 | -1 | 31 | 59 | 73 | 78 |
| Profits from Current Production (with IVA, CCA) | 183 | 189 | 190 | 190 | 195 | 201 | 202 | 202 | 106 | 152 | 191 | 202 | 208 |
| Adjusted for Inflation (83:1 base) | 178 | 182 | 181 | 178 | 180 | 184 | 181 | 180 | 109 | 150 | 180 | 180 | 175 |
| Percent Change - Year Ago | 62.8 | 50.8 | 28.4 | 11.0 | 1.3 | 1.3 | 0.2 | 0.7 | -8.9 | 38.0 | 20.2 | 0.0 | -3.1 |
| Per Unit of Output (% of GNP) | 5.3 | 5.3 | 5.2 | 5.1 | 5.1 | 5.2 | 5.1 | 5.0 | 3.4 | 4.6 | 5.2 | 5.1 | 4.8 |
| Effective Corporate Tax Rate (%)<2> | 32 | 32 | 33 | 34 | 34 | 33 | 32 | 31 | 37 | 34 | 33 | 32 | 32 |
| Federal Tax Receipts (Unified basis) | 598 | 593 | 786 | 692 | 650 | 655 | 843 | 756 | 609 | 613 | 680 | 740 | 831 |
| Percent of GNP | 17.4 | 16.8 | 21.6 | 18.6 | 17.1 | 16.9 | 21.4 | 18.8 | 19.8 | 18.5 | 18.5 | 18.6 | 19.3 |
| Federal Expenditures (Unified basis) | 851 | 851 | 869 | 828 | 903 | 940 | 956 | 950 | 740 | 803 | 863 | 959 | 1,051 |
| Percent of GNP | 24.8 | 24.1 | 23.9 | 22.3 | 23.8 | 24.3 | 24.2 | 23.7 | 24.1 | 24.3 | 23.5 | 24.1 | 24.4 |
| Surplus or Deficit (Unified basis) | -253 | -259 | -82 | -136 | -253 | -284 | -113 | -194 | -131 | -190 | -182 | -220 | -220 |
| % of GNP | 7.4 | 7.3 | 2.3 | 3.7 | 6.7 | 7.3 | 2.9 | 4.8 | 4.2 | 5.8 | 5.0 | 5.5 | 5.1 |
| % of Personal Savings | 201.7 | 188.4 | 60.3 | 96.1 | 174.2 | 180.0 | 71.1 | 119.5 | 106.1 | 164.3 | 129.7 | 134.8 | 129.3 |
| % of Net Domestic Savings | 87.2 | 82.5 | 26.0 | 42.6 | 78.1 | 84.2 | 33.9 | 58.0 | 68.0 | 78.5 | 57.3 | 65.3 | 65.3 |

<1> Includes personal contributions for social insurance.
<2> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.

Table 2

REAL ESTATE AND FINANCIAL MARKETS — APRIL 1984

| | QUARTERS | | | | | | | | YEARS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | Forecast | | | | | | | Actual | | Forecast | | |
| | 83:4 | 84:1 | 84:2 | 84:3 | 84:4 | 85:1 | 85:2 | 85:3 | 1982 | 1983 | 1984 | 1985 | 1986 |
| REAL ESTATE MARKETS | | | | | | | | | | | | | |
| Existing Single-Family Home Sales (thousands) | 2,757 | 2,903 | 3,004 | 3,003 | 2,955 | 2,703 | 2,551 | 2.452 | 1,991 | 2,719 | 2,966 | 2,501 | 2,701 |
| Percent Change - Year Ago | 26.3 | 13.0 | 8.1 | 8.4 | 7.2 | -6.9 | -15.1 | -18.4 | -17.7 | 36.6 | 9.1 | -15.7 | 8.0 |
| Dollar Volume (billions) | 229.4 | 246.6 | 258.6 | 263.7 | 253.2 | 238.0 | 229.9 | 223.3 | 159.9 | 224.5 | 255.5 | 224.1 | 254.7 |
| Existing Home Prices - Median ($1000's) | 70.2 | 72.3 | 73.8 | 75.7 | 74.2 | 76.5 | 78.5 | 79.5 | 67.7 | 69.9 | 74.0 | 78.1 | 82.7 |
| Percent Change - Year Ago | 4.0 | 5.7 | 5.7 | 6.5 | 5.7 | 5.8 | 6.4 | 5.0 | 2.4 | 3.2 | 5.9 | 5.6 | 5.8 |
| Monthly Mortgage Payment (P&I, 80%, 30 yr.) | 632 | 646 | 668 | 690 | 676 | 707 | 732 | 752 | 754 | 633 | 670 | 731 | 731 |
| Percent of Household Income | 22 | 22 | 22 | 22 | 21 | 22 | 22 | 22 | 28 | 22 | 22 | 22 | 21 |
| NAR Affordability Index | 85.2 | 87.0 | 86.2 | 83.9 | 86.6 | 84.9 | 83.6 | 83.1 | 68.4 | 82.2 | 85.9 | 84.5 | 87.1 |
| New Single-Family Home Sales (thousands) | 671 | 700 | 710 | 720 | 700 | 670 | 620 | 580 | 417 | 626 | 708 | 605 | 650 |
| Percent Change - Year Ago | 30.3 | 17.1 | 9.6 | 22.7 | 4.4 | -4.3 | -12.6 | -19.5 | -4.3 | 50.1 | 13.1 | -14.5 | 7.4 |
| New Home Prices - Median ($1000's) | 76.3 | 76.7 | 78.1 | 79.6 | 81.2 | 82.8 | 84.4 | 86.1 | 69.3 | 75.6 | 78.9 | 85.3 | 92.8 |
| Percent Change - Year Ago | 6.5 | 4.7 | 4.2 | 2.5 | 6.4 | 7.9 | 8.0 | 8.1 | 0.7 | 9.0 | 4.4 | 8.1 | 8.8 |
| New Home Prices--Mean ($1000's, Quality Adjusted) | 89.5 | 90.7 | 92.1 | 93.7 | 94.1 | 96.6 | 98.5 | 100.4 | 87.8 | 89.5 | 92.7 | 99.1 | 106.9 |
| Percent Change - Year Ago | 3.5 | 1.9 | 3.8 | 3.3 | 5.1 | 6.5 | 6.9 | 7.2 | 2.8 | 1.9 | 3.5 | 7.0 | 7.8 |
| New Mortgage Commitments ($ billions) | 164.1 | 194.6 | 165.0 | 165.2 | 167.1 | 169.0 | 171.0 | 176.8 | 64.8 | 163.4 | 173.0 | 175.1 | 196.9 |
| Percent Change - Year Ago | 73.7 | 35.5 | 7.1 | -14.0 | 1.8 | -13.2 | 3.6 | 7.0 | 8.1 | 152.1 | 5.8 | 1.2 | 12.5 |
| Mortgage Debt Outstanding ($ billions) | 1,820 | 1,876 | 1,933 | 1,992 | 2,052 | 2,113 | 2,175 | 2,242 | 1,629 | 1,749 | 1,963 | 2,210 | 2,153 |
| Homeowners' Equity ($ billions) | 2,671 | 2,707 | 2,742 | 2,761 | 2,814 | 2,881 | 2,950 | 3,020 | 2,396 | 2,581 | 2,756 | 2,986 | 3,295 |
| Housing Inventory (millions) | 92.4 | 92.8 | 93.2 | 93.7 | 94.1 | 94.5 | 94.9 | 95.2 | 90.6 | 91.8 | 93.4 | 95.1 | 96.5 |
| Private Housing Starts (thousands) | 1,699 | 2,010 | 1,928 | 1,864 | 1,752 | 1,642 | 1,601 | 1,573 | 1,056 | 1,704 | 1,889 | 1,601 | 1,705 |
| Single-Family | 1,037 | 1,292 | 1,286 | 1,234 | 1,129 | 1,031 | 997 | 986 | 663 | 1,066 | 1,235 | 1,003 | 1,101 |
| Percent of Total | 61.1 | 64.3 | 66.7 | 66.2 | 64.4 | 62.8 | 62.3 | 62.7 | 62.8 | 62.6 | 65.4 | 62.7 | 64.5 |
| Multi-Family | 661 | 718 | 642 | 629 | 623 | 611 | 604 | 587 | 394 | 637 | 653 | 598 | 604 |
| Percent of Total | 38.9 | 35.7 | 33.3 | 33.8 | 35.6 | 37.2 | 37.7 | 37.3 | 37.2 | 37.4 | 34.6 | 37.3 | 35.5 |
| Mobile Home Shipments (thousands) | 310 | 313 | 314 | 305 | 313 | 312 | 310 | 306 | 240 | 296 | 311 | 308 | 315 |
| Rental Vacancy Rate (%) | 5.5 | 5.6 | 5.5 | 5.5 | 5.4 | 5.4 | 5.4 | 5.4 | 5.3 | 5.6 | 5.5 | 5.4 | 5.4 |
| Unsold New Homes (% of sales) | 43.9 | 43.8 | 43.8 | 44.9 | 46.7 | 48.4 | 49.9 | 51.6 | 65.2 | 43.1 | 44.8 | 50.6 | 53.6 |
| Office Vacancy Rate (%)<1> | 12.4 | 11.6 | 11.2 | 10.6 | 10.0 | 9.5 | 9.0 | 8.8 | 8.0 | 11.7 | 10.8 | 9.0 | 8.6 |
| Industrial Vacancy Rate (%)<1> | 4.9 | 5.1 | 4.9 | 4.7 | 4.6 | 4.5 | 4.4 | 4.3 | 4.4 | 4.9 | 4.8 | 4.4 | 4.1 |
| New Commercial Building Construction (% Ch Value) | 15.3 | 62.8 | 0.6 | 7.4 | 5.6 | 4.9 | 4.5 | 4.2 | 9.0 | -2.8 | 18.9 | 4.9 | 7.8 |
| New Industrial Building Construction (% Ch Value) | -34.1 | 46.0 | 25.7 | 29.9 | 38.1 | 33.0 | 24.8 | 13.7 | 2.5 | -24.0 | 9.3 | 27.6 | 19.7 |
| FINANCIAL MARKETS | | | | | | | | | | | | | |
| Money Supply | | | | | | | | | | | | | |
| M1 (% change)(FED Target 4-8%) | 4.9 | 8.1 | 9.0 | 6.6 | 5.1 | 6.2 | 6.0 | 5.9 | 6.6 | 11.0 | 7.7 | 6.2 | 6.1 |
| M1 Velocity (% change) | 4.0 | 4.0 | 2.6 | 2.8 | 3.4 | 1.9 | 1.2 | 1.4 | -2.4 | -3.0 | 3.0 | 2.1 | 2.0 |
| M2 (% change)(FED Target 6-9%) | 8.7 | 8.5 | 9.6 | 9.0 | 7.7 | 6.5 | 6.6 | 9.2 | 9.4 | 12.6 | 8.7 | 7.8 | 8.7 |
| M2 Velocity (% change) | 0.3 | 3.6 | 2.0 | 0.5 | 0.9 | 1.6 | 0.6 | -1.6 | -4.9 | -4.4 | 2.1 | 0.5 | -0.4 |
| Monetary Base (% change) | 7.8 | 8.3 | 8.1 | 6.9 | 7.1 | 6.6 | 6.9 | 7.4 | 6.9 | 9.5 | 8.0 | 7.0 | 6.2 |
| Flow of Funds | | | | | | | | | | | | | |
| Supply (total) | 352 | 376 | 387 | 399 | 413 | 425 | 422 | 425 | 209 | 285 | 394 | 426 | 429 |
| Personal Savings | 126 | 137 | 137 | 142 | 145 | 158 | 159 | 162 | 125 | 114 | 140 | 162 | 171 |
| Savings Rate | 5.2 | 5.5 | 5.4 | 5.4 | 5.5 | 5.8 | 5.7 | 5.7 | 5.8 | 4.9 | 5.4 | 5.8 | 5.7 |
| Net Business Savings | 107 | 110 | 110 | 107 | 109 | 114 | 112 | 110 | 37 | 79 | 109 | 111 | 109 |
| State + Local Govt. Savings | 58 | 66 | 70 | 71 | 69 | 66 | 63 | 62 | 31 | 51 | 69 | 63 | 58 |
| Foreign Funds(current account deficit) | 61 | 62 | 70 | 80 | 89 | 87 | 89 | 91 | 15 | 41 | 75 | 90 | 92 |
| Demand (total) | 431 | 452 | 232 | 315 | 424 | 454 | 291 | 369 | 163 | 317 | 356 | 392 | 370 |
| Consumer Installment Debt(net change) | 65 | 59 | 50 | 42 | 39 | 38 | 39 | 39 | 13 | 42 | 48 | 38 | 40 |
| Commercial+Industrial Loans(net change) | 21 | 34 | 12 | 51 | 56 | 56 | 65 | 54 | 23 | -2 | 38 | 54 | 21 |
| Home Mortgage Debt(net change) | 92 | 100 | 87 | 86 | 76 | 76 | 74 | 82 | -4 | 86 | 87 | 80 | 89 |
| Federal Deficit | 253 | 259 | 82 | 136 | 253 | 284 | 113 | 194 | 131 | 190 | 182 | 220 | 220 |
| Selected Interest Rates (Percent) | | | | | | | | | | | | | |
| Mortgage Commitment Rate (weighted average) | 13.3 | 13.1 | 13.3 | 13.4 | 13.4 | 13.6 | 13.7 | 14.0 | 16.6 | 13.3 | 13.3 | 13.8 | 13.0 |
| 30 Year,Fixed-Rate | 13.9 | 13.8 | 14.0 | 14.1 | 14.1 | 14.3 | 14.4 | 14.7 | 17.3 | 14.0 | 14.0 | 14.5 | 13.7 |
| 1 Year ARM (without buy-down) | 12.0 | 12.0 | 12.8 | 12.7 | 12.9 | 13.1 | 13.1 | 13.3 | 14.3 | 11.6 | 12.6 | 13.2 | 12.4 |
| Real Mortgage Rate (weighted average) | 9.3 | 8.4 | 8.1 | 8.3 | 8.2 | 7.3 | 8.0 | 8.2 | 12.2 | 9.3 | 8.3 | 7.7 | 6.7 |
| Corporate Bond Rate (AAA) | 12.4 | 12.6 | 12.8 | 12.9 | 13.0 | 13.1 | 13.2 | 13.2 | 13.8 | 12.0 | 12.8 | 13.2 | 12.5 |
| Government Bond Rate | 11.9 | 11.8 | 12.2 | 12.4 | 12.5 | 12.6 | 12.7 | 12.7 | 12.9 | 11.3 | 12.2 | 12.6 | 11.9 |
| Real Long-term Government Bond Rate | 8.0 | 7.1 | 7.0 | 7.3 | 7.2 | 6.3 | 6.9 | 6.9 | 8.6 | 7.3 | 7.2 | 6.6 | 5.6 |
| Federal Funds Rate | 9.4 | 9.6 | 10.2 | 10.0 | 10.3 | 10.4 | 10.5 | 10.8 | 12.3 | 9.1 | 10.0 | 10.6 | 9.8 |
| 3 Month Treasury Bill Rate | 8.8 | 9.1 | 9.7 | 9.7 | 9.9 | 10.0 | 10.0 | 10.2 | 10.6 | 8.6 | 9.6 | 10.0 | 9.5 |
| Real 3 Month T-Bill Rate | 4.9 | 4.4 | 4.5 | 4.6 | 4.6 | 3.7 | 4.2 | 4.4 | 6.2 | 4.5 | 4.5 | 4.0 | 3.2 |
| 1 Year Treasury Bill Rate | 10.0 | 10.0 | 10.8 | 10.7 | 10.9 | 11.1 | 11.1 | 11.3 | 12.3 | 9.6 | 10.6 | 11.2 | 10.4 |
| Commercial Paper Rate | 9.2 | 9.3 | 10.1 | 10.0 | 10.2 | 10.2 | 10.3 | 10.6 | 11.9 | 8.9 | 9.9 | 10.4 | 9.7 |
| Rate on Money Market Fund Shares | 9.3 | 9.4 | 10.2 | 10.2 | 10.4 | 10.4 | 10.5 | 10.8 | 12.1 | 9.0 | 10.0 | 10.6 | 9.9 |
| Prime Rate | 11.0 | 11.1 | 11.8 | 11.9 | 12.0 | 12.1 | 12.2 | 12.1 | 14.9 | 10.8 | 11.6 | 12.1 | 11.4 |

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Hugh Graham, and Dick Peach.